

October 2020: Changes to the SAIChE / IChemE relationship

Summary

On 16 September, the President of the South African Institution of Chemical Engineers gave notice to IChemE, advising that their Council had taken the decision that they no longer wished to transition to become an IChemE Branch.

The transition process would have seen the establishment of an IChemE National Board in South Africa. The move to create a consistent approach to National Boards is a key part of IChemE's future governance, allowing a sustainable infrastructure to be rolled out to each jurisdiction where there is sufficient demand and local support to merit the investment. Where there is a need for local variation, then this can be accommodated and in the case of South Africa, the structure would have ensured that a clearly defined relationship with a legacy SAIChE body would be maintained, as such a locally registered body is required to act as a Voluntary Association for Engineering Council South Africa (ECSA).

Under the proposed approach, SAIChE members would be IChemE members at the appropriate grade and would have full access to our member resources (digital tools and content, *The Chemical Engineer* magazine, support for local Member Group activity, access to professional registrations such as CEng, etc). SAIChE Members would be treated equally alongside all other IChemE members and would only have been asked to make a single annual subscription payment to IChemE with no second payment to SAIChE required. The SAIChE membership roll could be administered as a part of the IChemE membership subscription. The proposal aimed to address the cost and resource inefficiencies that were built into the existing relationship, which required significant cross subsidy from members in other regions and was therefore inequitable.

This paper outlines how the relationship has developed in recent years and sets out how IChemE will now move forward.

Background (July 2014 – November 2017)

In 2014, IChemE signed a Memorandum of Understanding with SAIChE, our sister body. This agreement created a joint SAIChE and IChemE membership under a single subscription and was due to be reviewed in 2019. The agreement placed obligations on both parties aimed at maximising knowledge sharing and promoting joint professional membership.

Following the appointment of IChemE Chief Executive, Jon Prichard in early 2017 an interim review of the progress against the agreement was undertaken. This review highlighted the fact that a number of the obligations had not been progressed. Key issues under the existing arrangement included:

- Members in South Africa paid their annual subscriptions in ZAR. IChemE were being asked to replicate this facility for them. To do so, would require IChemE to operate another instance of its member database, adding a further layer of data complexity to an existing creaking system whilst incurring disproportionate costs (both capital and operating). This obligation was therefore confirmed as unaffordable.
- Members in South Africa paid their annual subscription to SAIChE. SAIChE remitted GBP 35.00 per member (less students), regardless of grade to IChemE. The cost of servicing a member to IChemE, if shared equitably across the global membership, varies between GBP 120.00 and 300.00 depending on grade and electives. IChemE was therefore making a loss on every SAIChE member. Additionally, the relatively flat fee structure regardless of set locally by SAIChE Council was inequitable to other IChemE members.

- A small number of South African members, who resided outside of South Africa, continued to pay their subscription via SAChE. They were therefore able to access IChemE services at a significant advantage to their peers, who were paying the correct rate for their geography.

In October 2017, SAChE were made aware of IChemE's concerns arising from the review, and the consequential need to change the nature of the future relationship so that IChemE members could be treated.

Concluding the initial term (November 2017 – July 2019)

The 2014 agreement was for an initial five-year term, this concluded on 31 July 2019. Given that significant obligations set out in the 2014 agreement had not been met, IChemE informed SAChE that the agreement should be set aside. It was agreed that as an interim measure IChemE would honour the initial term for dual membership but that IChemE would be unable to continue the arrangement beyond this planned term without significant revisions to the structure and mechanisms that underpinned the relationship.

Both parties agreed that the 2018 membership renewals would again be administered by IChemE. However, given the lack of time available to implement changes, only minor administrative changes were implemented by IChemE.

Dialogue between SAChE and IChemE then took place over future arrangements. As the time for the 2019 membership renewals approached, it was agreed that:

- Members in South Africa should be billed at a rate equivalent to the 'International 1' rate, that had historically been paid by IChemE members in South Africa prior to 2014.
- subscription billing would in future be transacted in the currency that IChemE determined for the country in which the member resides, for IChemE members in South Africa this was payments in GBP. This would enable IChemE to operate with greater efficiency.

The SAChE representatives requested more time to consider the local implications of these changes. IChemE therefore agreed to transact the 2019 subscription billing in ZAR for a final time. In summary this meant that:

- IChemE would administer the renewals
- SAChE Council would set rates for members in South Africa (but not dual members outside of South Africa)
- SAChE would collect South African member's payments in ZAR at the rates set by their Council, paying IChemE the equivalent of our 'International 2' rate

IChemE's February 2019 update on the relationship with SAChE can be [read](#) in our Factchecker.

Establishing a new partnership (July 2019 – October 2020)

On 9 July 2019, with the initial term drawing to a close, IChemE wrote to SAChE's leadership to advise that ahead of the 2020 membership renewals, due to be communicated to members in October, SAChE should confirm that it wished to proceed with the joint agreement and IChemE as set out in agreed in the prior discussions.

This July correspondence set out 10 principles that would underpin the revised relationship that IChemE would be happy to explore further. These principles were based on the *business architecture* principles set out by the IChemE Board of Trustees and reflected the experiences of operating the existing agreement with SAChE.

These principles and their status prior to the termination of the transition process are noted below.

IChemE's October 2020 update on the relationship with SAICChE can be [read](#) in our Factchecker.

First Principles shared (July 2019); status at the time the transition was terminated (September 2020):

- 1) There are clear similarities between SAICChE and IChemE's National Boards. The opportunity, therefore, is for SAICChE to have a relationship with IChemE akin to that of an IChemE National Board.
SAICChE representatives were invited to participate in IChemE's Regions Committee and the Regions Finance Working Group. Representation provided an opportunity for SAICChE to develop a greater understanding of how IChemE is evolving to become increasingly member-led and deliver Strategy 2024. As our emerging Regions governance develops the contributions from SAICChE representatives were to help shape that which they are invited to adopt.
- 2) South Africa would be considered a Discount rate 1 country by 2022. This provides scope for a phased change.
Ahead of schedule at SAICChE's request, the Discount rate 1 was implemented for the 2020 subscription renewals.
- 3) Rates in South Africa would need to be restructured to reflect membership grades as described above.
Achieved by moving to the Discounted rate 1 for the 2020 renewals.
- 4) Rates in South Africa would be set by the IChemE Board of Trustees at a global, full-rate level and then discounted accordingly.
Achieved by moving to the Discounted rate 1 for the 2020 renewals.
- 5) To ensure parity between SAICChE and other National Boards, reserves built up in ZAR should match ZAR liabilities in accordance with the re-stated reserves policy.
This was accepted by SAICChE moving forward but not for reserves collected by SAICChE to date. There was exception to this approach, with the South African National Board being able to request funds in line with a policy set by SAICChE.

To ensure a consistent approach was taken across all financial matters, a copy of the policy was requested in November 2019. Financial matters were then to be discussed holistically. The policy has not been shared with IChemE.
- 6) By 2022 SAICChE needs to have adopted standardised governance procedures that describe how it interacts as with IChemE global, in line with all other National Boards.
Progress pending creation of an IChemE National Board in South Africa, which was underway with the support of SAICChE representatives.
- 7) By 2021 SAICChE's staffing, and the required support infrastructure, should be form part of a global, strategic staffing approach
We have reviewed the administrative tasks SAICChE require as part of their ECSA Voluntary Association role to identify where alternative, more cost-effective approaches may be possible, including access to infrastructure IChemE may be able to provide gratis. SAICChE wish to retain local staffing and associated infrastructure.
- 8) By 2022 oversight by the Board of Trustees of SAICChE's activity should be in place, aligning SAICChE to the global governance structure
Progress pending creation of an IChemE National Board in South Africa, which was underway with the support of SAICChE representatives.

- 9) From 2021 the SAIChE database would be retired. Data for all members globally would be held in a single CRM system. Contact functionality will remain as for other Boards and Groups.

IChemE have suggested that cost savings, additional functionality and improved data quality could be achieved through using IChemE's database (which drives access to the member resources we provide) and retiring SAIChE's database. SAIChE wish to retain a local database.

- 10) From the 2022 subscription cycle SAIChE would be expected to adhere to the same budget approval policies, processes and procedures as IChemE National Boards. In turn, South African Member Groups would be required to comply standard National Board approval provided by SAIChE.

SAIChE shared a draft 2020 budget with IChemE on 3 March 2020 requesting GBP ~38,000. Cost centre names were provided but no activity plan or narrative to explain the costs. IChemE requested more information and a revised budget was shared with IChemE on 10 July 2020 which included a top-level narrative.

The request included GBP ~11,800 for staff and associated office costs that IChemE had never committed to. Other notable inclusions were GBP ~4,800 allowance for international travel (a cost most organisations are not incurring due to the coronavirus pandemic) and costs for a physical AGM which had already been held as a virtual event.

No sources of income were noted outside of membership subscriptions. With no cost recovery charge for accrediting courses with ECSA CPD points, membership income was requested to cover associated expenses. IChemE are unable to use subscription income to pay for a company's training to be accredited, particularly where accreditation is used as a selling point by commercial training companies.

SAIChE have not requested funds in their termination correspondence but IChemE have offered £5,272.73 to cover the costs that have been incurred, clearly communicated, and deemed reasonable.

IChemE in South Africa (October 2020 onwards)

Governance representatives

As we are no longer working towards the creation of an IChemE National Board in South Africa, and no longer partner with SAIChE, SAIChE will no longer have representation on the Regions Committee or Regions Finance Working Group. The contribution the representatives have made to the work of these groups is valued and appreciated.

Membership:

As part of the 2021 membership renewals correspondence, all those affected by these developments will be notified of the changes and have the option to retain IChemE membership. Should an individual wish to be a member of SAIChE this will be independent of their IChemE subscription.

IChemE's annual subscription payments are due on 1 January, those that do not pay will receive reminders as part of our renewals cycle and are able to pay up until the end of August at which point, where payment has not been received, memberships are lapsed. Affected members will be subject to this standard process.

Member Groups:

IChemE's strategy encourages collaboration rather than competition. The three Member Groups in South Africa originated from SAIChE and have never been part of IChemE's governance therefore, in the short-term, IChemE will not have any Member Groups in South Africa.

We are, however, committed to supporting our members wherever they reside. If in the future there is demand for IChemE Member Groups in South Africa then we will consider these requests on their merit.

Jon Prichard
Chief Executive

October 2020